

**The “Official” Virginia Rural Development Cheat Sheet for Loan Originators  
The Best and Easiest High LTV to Process, Underwrite and Close  
Dated June 8, 2005**

What a lender needs to consider when you get the phone call, “I work full-time, have decent credit but no down payment. What type of loan do you have that fits my situation?”

The Rural Development Guaranteed Rural Housing (GRH) Program **is the best** alternative over FHA, VA, Fannie, Freddie or non-conforming products (see “Why GRH VS FHA” matrix). However, there are requirements for income, property location, and occupancy that the other products don’t require that you need to consider:

1. First, get a ballpark figure on income in the household. Count all income from all adults who will reside in the household, including persons who will not be a party to the note. Then, to calculate income eligibility go to <http://eligibility.sc.egov.usda.gov/eligibility/mainervlet> . An income chart is in the GRH Lender Origination Guide.
2. Ask where they are interested in living. A full list of ineligible and partially eligible areas are located at <http://eligibility.sc.egov.usda.gov/eligibility/mainervlet>. If they have a property in mind, there is an address finder option. Once you put in the address information, you will get a response if the property is in an eligible area or not.
3. Ask if they intend to occupy the home on a full-time basis.

Once you have determined that the applicant meets the three basic requirements, the GRH program is the best fit for the customer, do the following:

1. Submit RD Form 1980-86 “Reservation of Funds” to lock in your loan amount. (Follow your normal procedures to lock rates).
2. Process the loan as a conventional full doc. Hard copies of the forms are in the GRH Lender Origination Guide. Electronic versions of the three required Rural Development documents are located at <http://forms.sc.egov.usda.gov/eforms/mainervlet>.
3. Submit your loan to underwriting.
4. Your underwriting department submits the loan to the appropriate Rural Development Office. An address book is in your package.
5. You will receive your loan commitment (RD Form 1980-18 “Conditional Commitment”) within 48 hours (or 2 business days).
6. Your loan commitment will allow 90 days to close a resale and 180 days (or more as needed) for construction loans.
7. After closing, submit the documents listed on the loan commitment to receive the Loan Note Guarantee.

**IT’S THAT EASY!**

### Why Use GRH vs FHA?

GRH	FHA
<b>102% LTV</b>	<b>97% LTV</b>
<b>Can finance up to appraised value</b>	<b>Must remain at sales price</b>
<b>2.0% Guaranteed Fee</b>	<b>1.5% MI plus monthly MI</b>
<b>Borrower need not have cash to close (POCs can be refunded at closing)</b>	<b>Must have a minimum of 3%.</b>
<b>No maximum loan limit</b>	<b>Must purchase property at or below limit</b>
<b>No required minimum credit score/alternative credit/no credit ok</b>	<b>Most high LTV products require 620 or higher</b>
<b>No required reserves</b>	<b>Usually 1+ month(s)</b>
<b>The lender prices the loan; loan closing costs must be reasonable</b>	<b>The lender prices the loan; some loan closing costs are capped</b>